

The impact of omni-channel retailing on demand planning for new products at IKEA

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Omni-channel retailing is a new area for businesses that cause extra risks and complexities in the supply chain. To handle these risks and complexities an effective demand planning process is important for companies, especially for new products. Six challenges for demand planning of new products have been identified in this thesis.

The growing importance of online sales in recent times has forced store-based retailers to adapt their organisation. Companies are increasingly integrating their different sales channel, as well as their planning processes. Planning for the demand is the first step of the planning processes and has an impact on the following planning activities. New products are important for a business to stay competitive and attractive for customers. They however also cause a big risk for companies. There are many uncertainties involved in selling a new product. Will customers even like the new product and want to buy it? It is therefore important that demand planning for new products works efficiently when operating multiple sales channels. Omni-channel retailing adds an extra layer of risks to the already risk full business of demand planning for new products. This extra risk comes from online demand being more uncertain and volatile. Consumers are comparing deals online and choosing what is less costly for them. At the same time, they have high demands on product availability, low or no freight costs as well as short deliveries. IKEA is a company that are experiencing issues with planning for new products as well as an uncertainty of how omni-channel will impact moving forward. Therefore, the thesis investigates what the challenges are of this topic and how they can be handled at IKEA.

Six challenges were identified for demand planning for new products in omnichannel retailing. By addressing these challenges, companies can mitigate the previously mentioned risks. One challenge is knowing and applying the online sales patterns when making assumptions for new products. Online sales patterns differ from store sales and assumptions such as sales curves are important when forecasting for new products. This means that not taking into account online sales patterns would cause inaccurate forecasts. IKEA can handle this challenge by for example separating online forecasts from offline ones. Doing so requires a sufficient amount of online sales in order to reduce uncertainty. The workload of the demand planners will be affected by a separation and this has to be considered by the company.

The thesis also showed that companies have problems with forecasting online campaigns. Online demand is very deal driven where customers are constantly comparing prices, this creates huge sales peaks during online campaigns. The historical data that the companies have to create the forecasts on are also not entirely representative since online demand has increased dramatically the last couple of years. This means that the forecasts that the companies create for the online sales in the future will most likely be too low. To handle this challenge, IKEA can for instance aggregate their online demand on a higher level. This would make it possible to identify campaign patterns. A more structured communication among different stakeholders would also help mitigate the risks of this challenge. Since omni-channel involves more channels to launch commercial activities on, more people are involved and can leave input into the forecast. A structured approach is therefore needed.

With online sales continuously growing, these identified challenges are likely to be of increased importance in the future.